

Unfortunately, we can't even begin to move toward assessing this unparalleled resource because Democratic obstructionism has effectively put this resource out of reach. Any Member of Congress who refuses to consider comprehensive solutions that include reducing energy consumption while increasing domestic supplies is ignoring the needs of this country.

I am very hopeful that within the next few weeks we will be able to find a commonsense approach to our energy crisis that addresses the basic economic law of supply and demand. It is simple: If we increase our supply while reducing demand, energy prices will go down. We shouldn't forget that we live in a supply-and-demand economy.

So, Mr. President, I urge the majority leader, and I urge the majority party to quickly get us on the issue of energy and onto reasonable commonsense solutions to move us forward. This country is dependent on our doing the right thing on energy because it is such an essential part of our economy. It builds into all levels of manufacturing, it builds into each individual American's life, and it is a driving factor when we talk about the inflation that is happening right now in our economy.

So, Mr. President, let's move forward. Let's do something about the energy crisis we have in this country, and let's not let the current election year environment in this country disrupt our effort to try to do what is best in making sure we have a safe and secure country and a secure economy.

Mr. President, I yield the floor, and I ask unanimous consent that the remainder of the Republican time be reserved.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Washington.

OIL MARKET SPECULATION

Ms. CANTWELL. Mr. President, as I rise to speak this morning, for the first time since April 1, the price of oil has fallen to below \$100 a barrel, and that is certainly a welcome relief to many Americans across this country and to businesses who have been devastated by high energy markets.

We shouldn't underestimate the damage that has been caused. Just this past Friday, in my home State of Washington, Alaska Air announced that more than 1,000 people will lose their jobs because of high fuel prices and a slowing economy. Compared to last year, Americans have paid \$76 billion more for gasoline in 2008, and I know many people went without vacations, and businesses have cut back on their operations.

Now, we have had various independent reports that have shown that the fluctuation in price from 2007 to 2008 cannot be explained by simple supply-and-demand fundamentals. And we are having a hearing at 2:30 this after-

noon in the Energy Committee about excessive speculation and how prices were driven to record highs this summer. But what we need to also realize is the scrutiny Congress has placed on Wall Street along with the promise to have stricter oversight has had an impact; prompting a large volume of capital starting to leave these markets.

It wasn't that long ago when President George Bush was picked up on the Internet at a reception saying "Wall Street got drunk." Now, I don't know if the President really meant to have this publicly captured on the Internet, but it was, and I know afterwards his Press Secretary was quoted as saying:

Well, you know, I actually haven't spoken to him about this, but I imagine what he meant, as I have heard him describe it before in both public and private, was that Wall Street let themselves get carried away and that they did not understand the risks these newfangled financial instruments would pose to the markets.

And while it is Wall Street that has gotten drunk, it is the American public paying for the hangover.

Today, we are struggling to contain one of the most severe credit crises since the Great Depression, and American families are going to pay dearly for that lack of oversight and regulatory indifference to what have been critical markets for us to oversee. I give credit to Secretary Paulson for his swift action over the last couple of weeks to contain the economic fallout from a reeling Wall Street.

During the past decade, the agencies charged with financial oversight have turned their eye from what has been one of the worst excesses our country has seen. My question for my colleagues today is, when are we going to learn the lessons of history and make sure Congress does its job in the oversight of the regulatory agencies so they do theirs?

In many ways, today's super-bubbles are a repeat of the 1920s when too much borrowing to underwrite too many speculative bets using too much of other people's money set up the entire economy for a crash. In 1999, Congress repealed key parts of the Glass-Steagall Act of 1933. The repeal allowed banks to operate any kind of financial businesses they desired, and it set up a situation where the banks had multiple conflicts of interest.

Several economists and analysts have cited the repeal of this act as a major contributor to the 2007 subprime mortgage crisis.

In fact, Robert Kuttner, cofounder and co-editor of the American Prospect magazine wrote in September 2007:

Hedge funds, private equity companies, and the subprime mortgage industries have two big things in common. First, each represents financial middlemen unproductively extracting wealth from the real economy. Second, each exploits loopholes in what remains a financial regulation.

But we didn't end our deregulation there.

In 2000 we also deregulated a new and volatile financial derivative that is at

the heart of today's housing credit crisis—credit default swaps.

As White House press secretary Dana Perino described it earlier this year, these "newfangled financial instruments" that posed a risk to the market actually grew into a \$62 trillion industry.

Warren Buffett has called these credit-swaps "financial weapons of mass destruction."

The proliferation of these newfangled financial instruments has resulted in huge profits and losses without any physical goods changing hands.

I come to the floor asking my colleagues: when are we going to learn the lessons of the past?

When are we going to realize that the 1929 stock market crash has the same root cause as the recent housing bubble?

Both were financed by dangerously high leveraged borrowing. And after the crash many banks failed—causing a ripple effect that devastated our Nation's economy.

After the 1929 crash, Congress stepped up and changed the banking laws to eliminate some of the abuses that had paved the way for economic disaster.

My question is—we acted after the crisis and Congress did step up and do something. What I want to know is whether we have learned our lesson. Are we going to legislate consumer protections in advance, or only after a bubble bursts?

The savings and loan crisis of the 1980s and 1990s when 747 savings and loan associations went under provides a similar lesson.

Like before, much of this mess can be traced back to the deregulation of the savings and loans which gave these associations many of the capabilities of banks, but failed to bring them under the same regulations.

Congress eliminated regulations designed to prevent lending excesses and minimize failures.

Deregulation allowed lending in distant loan markets on the promise of higher returns, and it also allowed associations to participate in speculative construction activities with builders and developers who had little or no financial stake in the projects.

The ultimate cost of this crisis is estimated to have totaled around \$160 billion, with U.S. taxpayers bailing out the institutions to the tune of \$125 billion. This, of course, added to our deficit of the early 1990s.

I ask my colleagues: When are we going to learn this lesson?

We have failed to see that oversight and transparency are always critical parts of any functioning market.

We have failed to see that when Congress makes reforms, like the Commodities Futures Modernization Act in 2000, or like the repeal of key portions of the Glass-Steagall Act in 1999, or the deregulation of the energy markets in

the 1990s, they cannot disregard these important fundamentals of transparency and strong Federal oversight authority.

I could go on and on for my colleagues on my own personal experience with the western energy crisis that happened in electricity markets in 2000 and 2001.

We saw that during the electricity deregulation experience which started in the mid 1990s, people argued that electricity was just another commodity. But it is really a very critical element to our economy.

Many experts cautioned that electricity was too vital a part of our economy and way of life to let these markets go without the transparency and oversight that is essential.

We all know the rest of the story. We saw that deregulation set the table for some of Enron's spectacular manipulation schemes of 2000 and 2001 among other bad actors, that caused more than \$35 billion in economic loss and cost our nation over 589,000 jobs.

Again, only after the crisis was over, did Congress step in. Only after the crisis did Congress give the Federal Energy Regulatory Commission, and now the FTC, more regulatory authority on energy markets. And once more, Congress illustrated that it prefers to act after the fact.

So I ask my colleagues: When are we going to learn?

When are we going to quit deregulating these critical markets without much thought to the transparency and oversight that is critical for markets to operate and function correctly?

When are we going to learn that when we take our eye off the ball, Wall Street raids the cabinet and, as the President say, Wall Street gets drunk?

I mentioned that later today we will be holding a hearing in the Energy Committee to examine the oil futures market. We will examine why we need meaningful legislation to close the loopholes that exist in those dark markets.

This deregulation has helped spark today's price super-bubble, as George Soros warned at a June 3 Commerce Committee hearing, that is driving our markets to no longer be based on supply-and-demand fundamentals.

In one fell swoop, this deregulation did a number of things that enabled today's perfect storm to brew.

No. 1, we let these newfangled financial instruments called credit default swaps go unregulated, and it made it easy to use bad debt to finance home mortgages.

As George Soros wrote in his book documenting the credit crisis:

At the end of World War II, the financial industry—banks, brokers, other financial institutions—played a very different role in the economy than they do today.

He went on to explain, as I said, that banks and markets are not as strictly regulated today as they were in the past.

In 2000 we deliberately chose not to learn this harsh lesson and allowed

these new, volatile financial derivatives that are the heart of today's markets to go unregulated by the Commodity Futures Trading Commission.

What we need to do is make sure we learned this lesson, to go back now and close the loopholes that exist and make sure the agencies that are in charge of oversight actually do their job. We do not want the American people to continue to have to pay for mismanagement and lack of oversight by not having transparency in these markets. We need to make sure these agencies are accountable.

The bottom line is we have a CFTC that is more lax in allowing traders to run amok than protecting families who live on Main Street in America. That is why I continue to hold up CFTC nominations. We need a more sophisticated regulatory regime oversight, including regulators who will be aggressive policemen on the beat. We need to collect more data to make sure that markets are not being manipulated. We need to make sure the market is driven by basic market fundamentals and not greed.

I yield the floor.

I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. WARNER. I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. WARNER. Would the Presiding Officer advise the Senate of the procedure at this time?

The ACTING PRESIDENT pro tempore. The minority has 2 minutes remaining in morning business.

Mr. WARNER. I yield back the time.

CONCLUSION OF MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Morning business is closed.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2009

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will resume consideration of S. 3001, which the clerk will report.

The bill clerk read as follows:

A bill (S. 3001) to authorize appropriations for fiscal year 2009 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

Pending:

Reid amendment No. 5290, to change the enactment date.

Reid amendment No. 5291 (to amendment No. 5290), of a perfecting nature.

Motion to recommit the bill to the Committee on Armed Services with instructions to report back forthwith, with Reid amend-

ment No. 5292 (to the instructions of the motion to recommit), to change the enactment date.

Reid amendment No. 5293 (to the instructions of the motion to recommit to the bill), of a perfecting nature.

Reid amendment No. 5294 (to amendment No. 5293), of a perfecting nature.

Mr. WARNER. Mr. President, I would like now to address the Senate with regard to my interpretation of the many constructive efforts that have gone on with the chairman and myself and other colleagues to try to move this bill forward. As I speak for a few minutes, I urge my distinguished chairman to engage me in any questions or colloquy if he has views that could be at variance to what I express.

I have an amendment at the desk. It is No. 5569. I shall not call it up at this time. The history of that amendment is as follows:

As many of our Senate colleagues are aware, this past January 29, the President of the United States issued Executive Order No. 13457 instructing the executive branch that agency heads should not base funding decisions on language in a committee report or conference report or any other nonstatutory statement of the views of Congress. The President took this unprecedented step because he believes—and to some extent I share his concern—that it is necessary to reduce the number and cost of what we refer to as earmarks substantially; that is, to reduce them substantially and to make the origin and purpose of the earmark more transparent. To accomplish these objectives, the Executive order requires that henceforth earmarks, as well as any other funding direction from Congress in its exercise of the power of the purse, must be included in the text of the bill voted on by Congress and presented to the President.

In response to the Executive order, I offered an amendment during committee markup, on behalf of Senator McCain and myself and others, which would have put the committee's funding tables in the text of the bill. This was the most simple and direct way to comply with the Executive order. My amendment, after deliberation in committee, was defeated on a 12-to-12 vote. As a result, as reflected in section 1002 of the bill, the committee decided to incorporate our funding tables into the bill by reference; that is, by a provision that states that each funding table in the committee report is incorporated into the act and is made a requirement of law to the same extent as if the funding table was included in the text.

Once our bill reached the Senate floor for consideration by the full Senate, a colleague, Senator DEMINT, filed amendment No. 5405 which, again, takes up the same issue.

Senator DEMINT's amendment would strike section 1002 in its entirety from the bill, thereby removing the funding tables from the bill. The result, as I interpret it, of adoption of the amendment would be that our funding tables would remain only in the committee